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Denmark

Solid Wood Products

Annual

2004

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Report Highlights:

East European suppliers are still selling at very low prices, holding U.S. softwood and plywood exports to Denmark at minimal levels. Gradually, the Danish wood industry is moving production to countries where production costs are considerably lower.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Total Danish wood trade in 2003 amounted to \$1.5 billion with imports totaling \$1.3 billion and exports \$245 million. Pine log imports amounted to \$449 million. The Nordic countries combined account for about 50 percent of the Danish wood imports.

Denmark imported wood products valued at \$26 million from the United States in 2003, of which 23 percent was oak and 26 percent other non-coniferous products. Softwood plywood and OSB from the U.S. each accounted for \$500,000. Ninety percent of the oak imported from the U.S. is re-exported. In addition, \$4.5 million of the imports registered as coming from the U.S. were imports of mahogany species.

Until 1998, the U.S. was the major supplier of softwood plywood to Denmark. In 1999, Scandinavian and East European countries, especially Russia but also Finland and Poland, took over the market and the U.S. market share is now 0.5 percent. Due to high prices of U.S. softwood plywood, most importers have shifted their focus to other countries, and the U.S. will have difficulty regaining its former market share. According to the major wood trader in Denmark, the price for U.S. wood would have to be very competitive in order for the US to break back into the plywood market.

Another noteworthy trend is the outsourcing of production to countries where production costs are lower. This has resulted in a small but escalating movement of Danish wood processing operations to Eastern European countries.

In 2002, Denmark imported 55,000 tons of oak chips for energy from the U.S. with a value of \$2.1 million. Infestation concerns have now resulted in Danish requirement for full kiln and treatments that are applicable for other oak imports. This requirement seems to have stopped imports of oak chips. Regulations are now incorporated in EU Directive 2004/102 replacing Annex 4 and 5 in Directive 2000/29. Directive 2004/102 will be effective from March 1, 2005. That Directive will also, according to the Danes, justify continued debarking requirements for wood packing materials of conifers.

Average Exchange Rates:

2002:	U.S.\$1 = DKK 7.88
2003:	U.S.\$1 = DKK 6.59
2004 (estimated)	U.S.\$1 = DKK 6.00
December 2003:	U.S.\$1 = DKK 6.30
December 2004:	U.S.\$1 = DKK 5.60

FOREST PRODUCT STRATEGIC INDICATOR TABLES FOR DENMARK

CONSTRUCTION MARKET

Country:	Previous	Current	Following
Report Year:	Calendar Year	Calendar Year	Calendar Year
Total Housing Starts (thousand units)	23	22	22
--of which, wood frame (thousand units)	1	2	3
--of which, steel, masonry, other materials (thousand units)	N/A	N/A	N/A
--of total starts, residential (thousand units)	22	21	21
----of residential, single family (thousand units)	14	14	14
----of residential, multi-family (thousand units)	8	7	7
--of total starts, commercial (thousand units)	N/A	N/A	N/A
Total Value of Commercial Construction Market (\$US mil)	24,483	25,000	26,000
Total Value of Repair and Remodeling Market (\$US million)	N/A	N/A	N/A

FURNITURE & INTERIORS MARKET

Country:	Previous	Current	Following
Report Year:	Calendar Year	Calendar Year	Calendar Year
Total Housing Starts (number of units)	23,341	22,000	22,000
Total Number of Households)	2,421,436	2,500,000	2,500,000
Furniture Production (\$US million)	2,978	3,200	3,300
Total Furniture Imports (\$US million)	920	900	900
Total Furniture Exports (\$US million)	2,423	2,500	2,600
Interiors Market Size (\$US million)	1,475	1,600	1,600

MATERIAL HANDLING MARKET

Country:	Previous	Current	Following
Report Year:	Calendar Year	Calendar Year	Calendar Year
Total Value of Industrial Output (\$US million)	77,495	80,000	82,000
New Pallet Production (million units)	5	5	5

FOREST AREA

Country: Report Year:	Previous Calendar Year	Current Calendar Year	Following Calendar Year
Total Land Area (million hectares)	5	5	5
Total Forest Area (million hectares)	1	1	1
--of which, Commercial ('000 hectares)	475	480	480
----of commercial, tropical hardwood ('000 hectares)	0	0	0
----of commercial, temperate hardwood ('000 hectares)	180	180	180
----of commercial, softwood ('000 hectares)	295	300	300
Forest Type			
--of which, virgin ('000 hectares)	0	0	0
--of which, plantation ('000 hectares)	0	0	0
--of which, other commercial (regrowth) ('000 hectares)	475	480	480
Total Volume of Standing Timber (thousand cubic meters)	N/A	N/A	N/A
--of which, Commercial Timber ('000 cum)	N/A	N/A	N/A
Annual Timber Removal ('000 cum) 1/	1,808	1,700	1,700
Annual Timber Growth Rate ('000 cum)	4,000	4,000	4,000
Annual Allowable Cut ('000 cum)	4,000	4,000	4,000

1/ If Removals exceeds growth rate, analyze impact in text.

WOOD PRODUCTS SUBSIDIES

Country: Year of Report	Previous Calendar Year	Current Calendar Year	Following Calendar Year
Total Solid Wood Export Subsidy Outlay (\$US million)	Nil	Nil	Nil
Is there a ban on the export of logs, lumber, or veneer? 1/	No	No	No
Are there export taxes (yes/no)? 2/	No	No	No
Total Wood Production Subsidy (\$US million)	0	0	0
Scope (thousands of hectares)			
Are there other wood products export expansion activities? 1/	No	No	No

Construction sector.

Overview.

The Danish construction market is small but stable with about 22,000 new construction units per year. Interest for houses constructed of wood is increasing but still limited. Construction of wooden houses is now allowed up to four stories and wood houses now account for more than 10 percent of new construction.

Marketing.

The demand for newer, engineered products such as I-beams and LVL is limited, partly due to conservatism among Danish builders, and partly because they are considered too costly and used mostly when very light materials are required. Danish importers have tried to market KATO beams from Finland, but have had very little success in selling this product, which is specially marketed for smaller building units. Constructors in Denmark prefer iron beams or laminated beams, which are mainly constructed in Denmark.

Construction of treated wood terraces around houses is increasing quickly. Preferred materials are secondary species such as Barangai (Indonesia) and Jatoba (Brasil). Other preferred species for this purpose are Red Cedar and Southern Yellow Pine. It should be noted that although copper treating is banned in Denmark, copper treated wood products are allowed imported.

Furniture and Interiors Sector

Overview

With furniture production worth \$3.2 billion (of which 80 percent is exported), Denmark is a substantial importer of woods for furniture. Although the European, and especially the German markets are suffering from low economic growth, furniture production is forecast to increase. For the first seven months of 2004, exports increased by 3 percent. It is not possible to obtain figures for species-specific demand, but the bulk of furniture is made of MDF and other fiber or particleboards and considered discount furniture. Exports of more traditional Danish (designed) furniture are still increasing for the Japanese and Nordic markets as are sales on the domestic market. Outsourcing in furniture industries continue, with employment in this sector falling by 15 percent during the last three years. The number of furniture manufacturers has declined from 580 to 342 during the same period.

Marketing

Although there are no exact figures available, the bulk of Danish furniture is made from softwoods. Conversion away from softwood is difficult because machinery is difficult to readjust to hardwood. However, there has been increased use of lightwood free from knots. The most popular such species are Beech, Cherry and Maple. All wood for furniture production is imported through the major wood importers, of which DLH is reported to have a market share of between 75 and 80 percent.

The demand for hardwood floors (either solid or laminated with a hardwood overlay) is rising. Preferred woods for flooring are Beech, Oak and Cherry. Windows, doors and frames are manufactured in Denmark to specific measures for each individual construction project and imports are very limited.

The U.S. is a major supplier of sawn oak, though volumes have fallen during the last three calendar years from 9,200 CUM in 2001 to 7,150 CUM in 2003, but still account for more than 33 percent of total imports. Other major suppliers are Germany (3,700 CUM), Lithuania (1,900 CUM) and Poland (1,500 CUM). However, about 90 percent of the oak is reexported (mainly to other Northern European countries), and about 10 percent is shipped back to the U.S. after being processed. Of total Danish imports of hardwood blocks for parquet and wood block flooring (200,000 square meters), the U.S. has regained a market share of 0.8 percent in 2004, after having been out of the market in 2003; drastically lower than 2001 exports of 9,666 square meters. Major suppliers are now Norway, China and Germany, accounting for 67 percent of total imports, with Sweden dropping almost completely out after a market share of 40 percent in 2003.

Material Handling Industry

Danish pallet production is stable at around 6 million pieces per year. Imports for this production amount to over 100,000 CUM of softwood yearly, all of which is imported from Sweden. To satisfy demand for pallets, Denmark imports about 4.8 million pieces of which 1.8 million come from Poland, 716,000 from Germany, 750,000 from Latvia 715,000 and from Sweden 656,000. Danish pallet production utilizes the poorest quality Danish conifer qualities or cheap imports from Poland.

Wood packing material comprised in whole or in parts of non-manufactured coniferous wood originating from U.S. is, soon required to be debarked in addition to previous requirements for heat treatment, fumigation or pressure impregnation required to be debarked. This is in accordance with EU Directive 2004/102, effective March 1, 2005 and the requirement is, according to the Danes, in accordance with ISPN 15 for the following reasons:
Certain fungi are not killed by the above-mentioned treatments.
Debarking will result in preventing infection after treatments described above (the treatment is more effective after debarking).
Inspection is easier when the wood is debarked.

The Danes state that The International Forrester Quarantine Research Group acknowledges the above reasons.

Oak chips

Import requirements for oak chips are included in EU directive 2004/102 effective March 1, 2004. These requirements are:

Dried to a moisture content below 20 percent or
Fumigated or
Heat-treated to a minimum core temperature of 56 degrees Centigrade for at least 30 minutes.

Softwood Plywood

PSD Table

Country	Denmark						
Commodity	Softwood Plywood						1000 CUBIC METERS
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Estimate [D]	USDA Official [Estimate [D]	USDA Official [Estimate [New]	
Market Year Begin	01-2003		01-2004		01-2005		MM/YYYY
Production	2	2	2	2	0	2	1000 CUBIC METERS
Imports	180	151	175	150	0	160	1000 CUBIC METERS
TOTAL SUPPLY	182	153	177	152	0	162	1000 CUBIC METERS
Exports	60	39	57	39	0	40	1000 CUBIC METERS
Domestic Consumption	122	114	120	113	0	122	1000 CUBIC METERS
TOTAL DISTRIBUTION	182	153	177	152	0	162	1000 CUBIC METERS

Production

During recent years domestic production has fallen from 5,000 CUM to 2,000 CUM annually, about 1 percent of total Danish consumption.

Market impediments

Oriented Strand Board (OSB) imports are recorded under the same tariff code as waferboard, so imports of OSB are difficult to estimate. Total 2003 imports of wafer board, including OSB, reached 140,000 CUM in 2003 compared to 60,238 CUM in 2001. Several U.S. companies have established themselves on the European markets with local factories. Louisiana Pacific's joint venture factory in Ireland has obtained Danish approval. Now only a few hundreds of cubic meters yearly originate from U.S.

OSB 3 & 4 are used in Denmark for roofing and flooring, but since both standards can be used for the same purpose, Danish importers generally prefer OSB 3.

While Oriented Strand Board generally competes with softwood plywood, and it appeared in the past that OSB demand would grow at plywood's expense, in fact demand for both has grown. Imports of softwood plywood have likewise increased to 124,000 during the first seven months of 2004 (from 111,000 in 2003). Discussion with the trade has not revealed the reason for this increase, which is too large to be explained by the slight increase in construction. Probably some registered imports are transshipped without being reported, e.g. shipment to other EU destinations.

Trade

Danish plywood imports have increased dramatically in recent years from 72,083 CUM in 1996 to 128,822 CUM in 2002. At the same time, U.S. market share has collapsed. Traditionally US share had run at about 40 percent and, as late as 1997, reached 47 percent before dropping to 4 percent in 2000 and 0.5 percent in 2003. US exports seem to be limited to specific specialty products only, amounting to less than 1,000 CUM per year.

Danish importers explain that the U.S. has lost market share due to high prices, and while U.S. prices had been periodically high at other times, during the last 5 years other suppliers were ready to take over. The Danes are now accustomed to these new suppliers and product specifications and construction qualities are similar to U.S. products.

U.S. exporters are not expected to regain former market shares in the medium term.

Danish importers will continue to import specialty plywood products from the U.S., but quantities are expected to be in the range of less than a thousand CUM.

Import Trade Matrix

Country Denmark

Commodity Softwood Plywood

Time Period	CY	Units:	CUM
Imports for:	2002		2003
U.S.	691	U.S.	707
Others		Others	
Russia	58738	Russia	74119
Finland	23378	Finland	42248
Poland	9662	Poland	7453
Sweden	5921	Sweden	6404
Chile	3285	Chile	2244
Germany	252	Germany	5024
Czech Rep.	1274	Czech Rep.	663
Brazil	6631	Brazil	9006
Ireland	7587	Ireland	2304
Total for Others	116728		149465
Others not Listed	1332		1239
Grand Total	118751		151411

Export Trade Matrix

Country Denmark

Commodity Softwood Plywood

Time Period	CY	Units:	CUM
Exports for:	2002		2003
U.S.	114	U.S.	0
Others		Others	
Germany	15856	Germany	5711
Netherlands	5964	Netherlands	9228
Norway	3644	Norway	4962
Sweden	3179	Sweden	3430
Greenland	2319	Greenland	5522
Faroe Islands	2410	Faroe Islands	5956
		France	2144
Total for Others	33372		36953
Others not Listed	2876		1838
Grand Total	36362		38791